
PINAL AIRPARK MASTER PLAN

Prepared for the
County of Pinal

[illegible]

CHAPTER 8

FINANCIAL ANALYSIS & PLANS

Chapter Eight DEVELOPMENT PROGRAM

The previous chapters in this Master Plan Study have established the facility needs and recommended plans for Pinal Airpark throughout the planning period. The purpose of this chapter is to provide an implementation program by which the recommendations can be realized in an effective and economical manner. The following sections present development schedules and construction cost summaries for the development projects and financing options for capital improvements.

AIRPORT PROGRAM ELIGIBILITY

At the present time there are several issues that affect the long-term financial planning and management philosophy of Pinal Airpark. These issues are related to the rights and responsibilities of Pinal County associated with the Quitclaim Deed granted by the United States via the Surplus Property Act of 1944, as amended. This deed conveyed title to the airport property and airfield improvements to Pinal County on June 17, 1948. Property conveyed under the Surplus Property Act of 1944 carries with it numerous terms, conditions, reservations, and restrictions. The deed imposes several obligations on the Airport Sponsor relating to use, maintenance, operation, and availability of airport facilities. It is important that these obligations are fully complied with in order to be eligible for federal and state airport development grants.

A review of the existing lease between Pinal County and Evergreen Air Center indicates that a lease-hold interest in the airport property—including the airfield facilities and all buildings, facilities, and improvements situated thereon—has been granted to Evergreen. The granting of this lease-hold interest may be contrary to the obligations imposed under the deed. In order to qualify for federal or state funding, it will be necessary to comply with all terms and conditions of the deed, and satisfy all pertinent state and federal facility operational and eligibility criteria regarding funding public-use airport facilities. Pinal County is currently in the process of renegotiating their lease with Evergreen Air Center; these issues will be addressed by Pinal County and Evergreen during the negotiations. Based on preliminary direction from the county, the consultant has prepared a capital improvement program which includes the use of available federal and state funding sources. Therefore, for the purposes of this master planning effort, it is assumed that Pinal Airpark will be operated as a public-use facility in a manner consistent with all federal and state eligibility criteria for funding.

As the negotiations progress, and the terms and conditions of the new lease are detailed, the renegotiated lease should be coordinated with the Federal Aviation Administration (FAA) to ensure that Pinal County would take the steps necessary to be eligible for federal or state financial assistance. The lease should also be reviewed to ensure compliance with the additional obligations associated with accepting FAA or ADOT grants for airport development. The Airpark's eligibility for federal and state funding of airport improvements will be dependent on maintaining the airport as a public-use facility.

AIRPORT DEVELOPMENT PROGRAM FINANCING

The cost of providing the recommended facilities at Pinal Airpark will not be borne exclusively by Pinal County. Several sources for potential development funding exist, including the FAA, Arizona State Department of Transportation - Aeronautics Division (ADOT), and private enterprise. It is assumed that all of the questions surrounding County eligibility will be resolved and that Pinal County will be determined to be an eligible sponsor. As proposed, Pinal County will be responsible for financing only 7.23 percent of the total development cost during the planning period. **Figure 8** illustrates the potential sources of development funding and their respective contributions to the future development of Pinal Airpark.

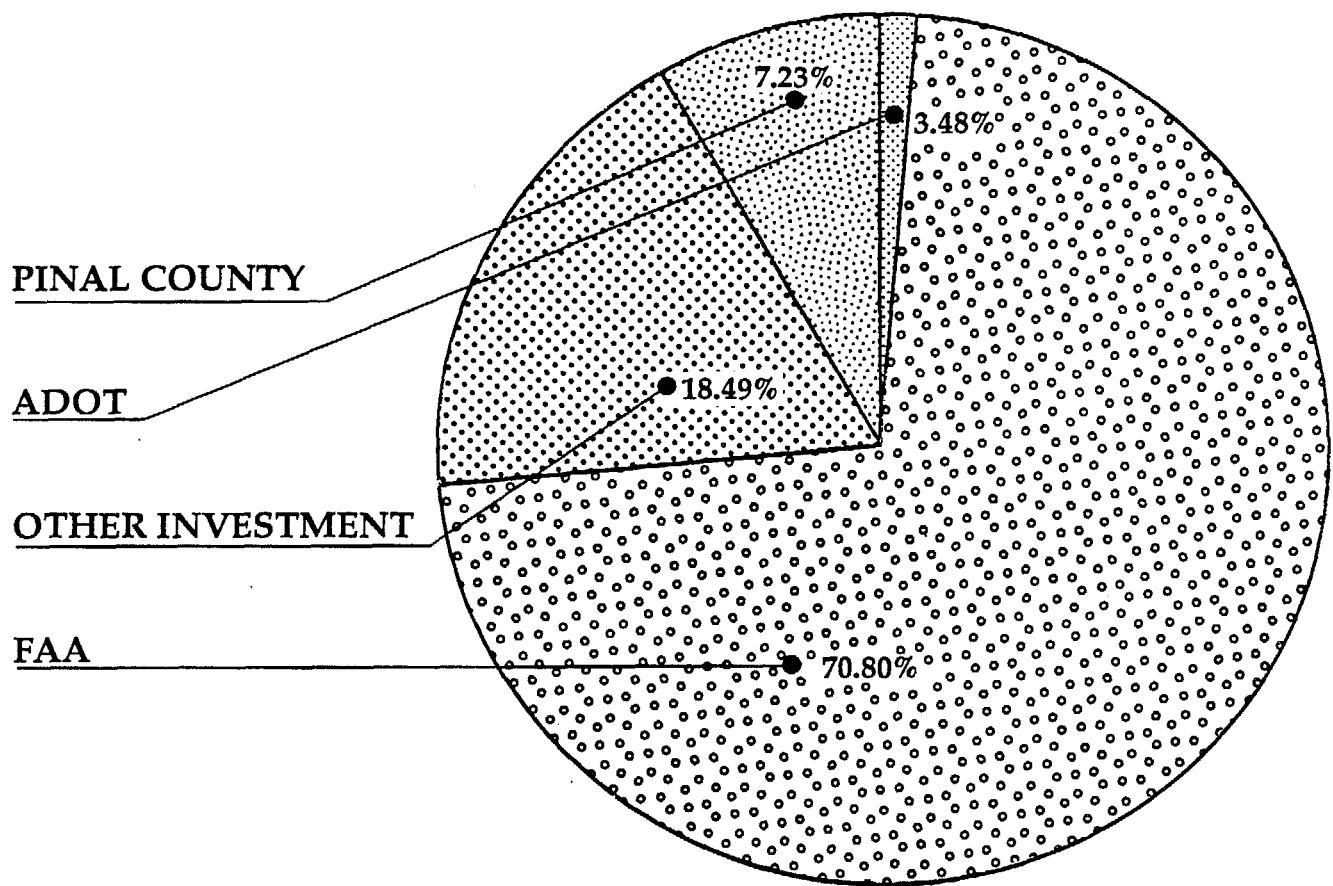
The primary source for airport development funding is aviation users, both locally and nationally. Typically, FAA grants can fund approximately 90 percent of the cost of eligible projects at airports such as Pinal Airpark. These grant funds are derived from user fees and aviation taxes deposited in the National Aviation Trust Fund. The federal Airport Improvement Program (AIP) has been the legislation authorizing the dissemination and use of these funds since 1982. AIP funds are collected through excise taxes on airline tickets, aviation fuel, accessories, aircraft registrations, and other aviation uses. This program is currently scheduled to expire in September 1992. It is expected that AIP program will be extended or a similar federal airport development program will be enacted to replace it.

The State of Arizona also participates in the development of general aviation airports through ADOT, which may grant up to 50 percent of the local share of development costs on FAA-eligible projects. ADOT may also grant up to 90 percent of project costs on some projects not funded or not eligible for federal participation. The state has set a maximum grant amount of \$475,000 to eligible airports for Fiscal Year 1992.

Each year ADOT updates and revises their 5-year airport development program. This update offers airport sponsors an opportunity to request state financial assistance and, if necessary, revise their projects or costs. As with the FAA, close coordination should be maintained with ADOT on airport development program needs. For planning purposes, it is assumed that Pinal County will be responsible for financing 4.47 percent of the cost of FAA-eligible projects, with ADOT participation. For projects not eligible for FAA financial assistance, a 90/10 split has been used for projects the state will finance.

Activity at the airport is also a significant source for development funding. Use of the airport's public and leased facilities generates a variety of revenues, including landing fees, building and land rentals, fuel flowage fees, and other user charges. The development of additional airport facilities and services for both aviation and non-aviation uses can be a significant factor contributing toward maximizing potential airport income.

The private sector is the final source for airport development funding. Private investment can contribute greatly toward the provision of needed aviation facilities not eligible for FAA funding, such as FBOs and T-hangars. This Master Plan identifies the improvements which will be needed and can best be provided by private development.



•DEVELOPMENT COST DISTRIBUTION•

FIGURE 8
DEVELOPMENT PROGRAM
FUNDING SOURCES
PINAL AIRPARK MASTER PLAN



The leasing of surplus airport property for industrial and other non-aviation activities is also a source of income at some airports. The amount of surplus airport property could greatly contribute to this source of potential income.

AIRPORT DEVELOPMENT SCHEDULES AND COST SUMMARIES

Prior to formulation of the development schedules, the cost of each proposed improvement has been estimated. The figures used for all development items throughout the planning period are expressed in 1991 dollars and (except where noted) include 25 percent overhead for administration, engineering, and contingencies. For future implementation of this plan, County administration or airport management can convert the 1991-based figures by adjusting for subsequent inflation. The interim change in the United States Consumer Price Index (USCPI) can be used to estimate future costs by using the following formula to yield a multiplier ratio:

$$\frac{X}{136.2} = Y$$

Where:

X = USCPI in any given future year
136.2 = USCPI in July, 1991 (1992-84 = 100)
Y = Conversion factor

Dividing the future CPI by the 1991 CPI provides a conversion factor (Y) which, in turn, is multiplied by the 1991-based cost estimates to provide appropriate amounts in any future re-evaluation. Only national CPI data should be used, as local or regional indices may vary. Consumer Price Index information may be obtained from the U.S. Bureau of Labor Statistics and the economic research units of most commercial banks and councils of governments.

The following sections outline the recommended development program and detailed funding distribution assumptions. The scheduling has been prepared in accordance with facility requirements determined earlier, as well as economic feasibility. It should be remembered that, in addition to funding considerations, airport development should take place in response to demonstrated demands or actual activity, rather than according to a fixed time frame corresponding to forecasts of future activity. Therefore, should significant variations from forecast trends occur, facility development scheduling may have to be adjusted in the future. Accordingly, the prioritized schedules have been divided into three stages covering the entire planning period. Table 8-1 shows that the total cost of developing Pinal Airpark to meet forecast needs will total slightly more than \$35.0 million by the year 2011.

**Table 8-1
PINAL AIRPARK DEVELOPMENT COSTS WITH FEDERAL PARTICIPATION**

	Total Cost	FAA	State	County	Other
STAGE I (1992-1996)					
1992					
Install HIRL	68,500	0	0	0	68,500
Install REILs	40,000	0	0	0	40,000
Install VASI Runway 12	25,000	0	0	0	25,000
Reconstruct Connecting Taxiways	1,000,000	910,600	44,700	44,700	0
Reconstruct Parallel Taxiway	<u>1,995,000</u>	<u>1,816,647</u>	<u>89,177</u>	<u>89,177</u>	<u>0</u>
1992 Total	\$3,128,500	\$2,727,247	\$133,877	\$133,877	\$133,500
1993					
Construct Large Hangar	3,125,000	0	0	0	3,125,000
Crack Seal Existing Apron	<u>1,200,000</u>	<u>1,092,720</u>	<u>53,640</u>	<u>53,640</u>	<u>0</u>
1993 Total	\$4,325,000	\$1,092,720	\$ 53,640	\$ 53,640	\$3,124,000
1994					
Resurface Apron	4,800,000	4,370,880	214,560	214,560	0
Blast Fence (North)	300,000	273,180	13,410	13,410	0
Blast Fence (South)	<u>200,000</u>	<u>182,120</u>	<u>8,940</u>	<u>8,940</u>	<u>0</u>
1994 Total	\$5,300,000	\$4,826,180	\$236,910	\$236,910	\$ 0
1995					
East/West Taxiway Reconstruction	1,925,000	0	0	0	1,925,000
Security Fencing (Evergreen)	52,000	47,351	2,324	2,324	0
South Run-up Pad	550,000	500,830	24,585	24,585	0
Stage I Access Road Improvements	<u>497,500</u>	<u>0</u>	<u>0</u>	<u>497,500</u>	<u>0</u>
1995 Total	\$3,024,500	\$548,181	\$26,909	\$524,409	\$1,925,000
1996					
Land Acquisition (South)	120,000	109,272	5,364	5,364	0
Security Fencing (South)	<u>35,000</u>	<u>31,871</u>	<u>1,564</u>	<u>1,564</u>	<u>0</u>
1996 Total	\$ 155,000	\$ 141,143	\$ 6,928	\$ 6,928	\$ 0
Total All Years	\$15,933,000	\$9,335,471	\$458,264	\$955,764	\$5,183,500
25 % Contingency	<u>3,983,250</u>	<u>2,333,868</u>	<u>114,566</u>	<u>238,941</u>	<u>1,295,875</u>
TOTAL STAGE I	\$19,916,250	\$11,669,339	\$572,830	\$1,194,705	\$6,479,375

Table 8-1 (Continued)
PINAL AIRPARK DEVELOPMENT COSTS WITH FEDERAL PARTICIPATION

	Total Cost	FAA	State	County	Other
STAGE II (1997-2001)					
Install PAPI Runway 30	25,000	22,765	1,118	1,118	0
Land Acquisition (North)	475,000	432,535	21,233	21,233	0
Security Fencing (North)	57,000	51,904	2,548	2,548	0
Stage II Access Road Improvements	352,500	0	0	352,500	0
Strengthen Runway 12-30	<u>2,875,500</u>	<u>2,617,975</u>	<u>128,512</u>	<u>128,512</u>	<u>0</u>
Stage II Total	\$3,784,500	\$3,125,179	\$153,410	\$505,910	\$ 0
25 % Contingency	<u>946,175</u>	<u>781,295</u>	<u>38,352</u>	<u>126,477</u>	<u>0</u>
STAGE II TOTAL	\$4,730,675	\$3,906,474	\$191,762	\$632,387	\$ 0
STAGE III (2002-2011)					
Blast Fence	550,000	500,830	24,585	24,585	0
Expand Parking Apron	2,625,000	2,390,325	117,337	117,337	0
Extend HIRL	94,500	86,052	4,224	4,224	0
Extend Parallel Taxiway	1,500,000	1,365,900	67,050	67,050	0
Extend Runway 12-30	2,625,000	2,390,325	117,337	117,337	0
North Run-up Pad	550,000	500,830	24,585	24,585	0
Relocate Guard Helipads	150,000	136,590	6,705	6,705	0
Relocate REIL Runway 12	10,000	9,106	447	447	0
Relocate VASI Runway 12	10,000	9,106	447	447	0
Stage III Access Road Improvement	<u>202,500</u>	<u>0</u>	<u>0</u>	<u>202,500</u>	<u>0</u>
Stage III Total	\$8,317,000	\$7,389,064	\$362,718	\$565,218	\$ 0
25 % Contingency	<u>2,079,250</u>	<u>1,847,266</u>	<u>90,679</u>	<u>141,304</u>	<u>0</u>
STAGE III TOTAL	\$10,396,250	\$ 9,236,330	\$ 453,397	\$ 706,522	\$ 0
TOTAL DEVELOPMENT PROGRAM	\$35,043,175	\$24,812,143	\$1,217,989	\$2,533,614	\$6,479,375

NOTE: Federal and state financial aid is based on the assumption that Pinal County is or will become eligible for airport development grant under the current programs.

STAGE I DEVELOPMENT

Stage I projects comprise the initial 5 years of the planning period, which has been further subdivided into single-year phases for the years 1992 through 1996. The major improvements to be realized during this period include the reconstruction of the parallel taxiway, resurfacing of the entire apron area, and some land acquisition. Private enterprise is expected to be a major contributor of needed aviation facilities during this period, including a large conventional hangar for maintenance of aircraft as large as Boeing 747s. A limited amount of land is shown to be acquired in the approach to Runway 30.

STAGE II DEVELOPMENT

The development projects in Stage II will include land acquisition and security fencing in preparation for the runway extension to be done in Stage III. Runway 12-30 will be overlaid to strengthen the runway for use by heavier aircraft and a visual approach aid will be installed on Runway 30.

STAGE III DEVELOPMENT

Stage III development will focus on extending the runway and taxiway system to 10,000 feet in length. Runway 12-30 and the parallel taxiway will be extended to the north by 3,150 feet. The runway and taxiway lighting systems will also be extended, and the approach aids will be relocated coincident with the new threshold location. An engine run-up pad and blast fence will be constructed at the north end of the parallel taxiway. The taxiway extension will require relocating the existing Army National Guard helipads. The aircraft parking apron will also be enlarged in order to accommodate the expected increase in aircraft at Pinal Airpark.

AIRPORT CAPITAL IMPROVEMENTS FINANCING

Some of the programmed development may require funding beyond the resources currently available for Pinal County to commit to the airport. However, it has also been pointed out that much of the development is expected to be provided by private enterprise. As the Airport sponsor, Pinal County will be responsible for providing public facilities, some of which will not be eligible for federal financial assistance. Even on some eligible projects, the Sponsor's share will be substantial. A variety of means are available to finance the local share of airport development costs. The most common methods involve debt financing, which amortizes the development costs over the useful life of the project. Methods of debt financing, as well as third-party support, are discussed in the following sections.

GENERAL OBLIGATION (GO) BONDS

GO bonds are a common form of county bonding issued by a governmental jurisdiction. They are backed by the full faith, credit, and taxing authority of the issuing agency. GO bonds reduce the available debt level of the sponsoring community, as county governments are normally constitutionally or statutorily limited in the amount of debt which can be secured. If this is the case, approval of the electorate is usually required to levy taxes to retire the debt. If approved, GO bonds are typically issued at a lower interest rate than other types of bonds.

SELF-LIQUIDATING GENERAL OBLIGATION (SLGO) BONDS

SLGO bonds are credit instruments issued and secured by the county government in exactly the same way as ordinary GO bonds. However, since SLGO bonds are financing a revenue-producing project or entity, the self-liquidating debt may be excluded from the calculated net tax supported debt level. This type of financing has the advantage of lower interest rates without limiting other general obligation debt because of its self-sustaining nature. On the other hand, SLGO bonding may be considered as part of a total debt burden for the purpose of financial analysis and, consequently, higher interest rates may be charged on all bonds issued by Pinal County.

REVENUE BONDS

Revenue bonds are more commonly used to finance development primarily at large- and medium-hub airports. These types of airports are more able to retire the debt from revenues generated from operations of the improvements. Since these types of bonds are payable solely from the income of the agency or project financed, revenue bond issues are usually exempt from constitutional or statutory debt limitations and the requirement for electorate approval. However, since this type of bonding lacks the guarantees of other government bonds, higher interest rates are charged. Because of the stringent bond performance requirements, a general aviation airport such as Pinal Airpark must demonstrate an adequate earnings record, stable air service, and the potential for sustained future growth to make issuance of this type of bond financially feasible.

COMBINED REVENUE/GENERAL OBLIGATION BONDS

These bonds, also known as "double-barrel" bonds, are secured by a pledge of backup tax revenues to meet principal and interest requirements in case airport revenues are insufficient to retire the debt. These credit instruments may be issued at a slightly lower interest rate than revenue bonds because of the added security. These "double-barrel" bonds also offer a reduced burden on tax resources.

THIRD-PARTY SUPPORT

Pinal County has a strong interest in continued private support and development of Pinal Airpark, particularly for the development of general aviation terminal facilities. As business and industry benefit from the use of the airport, they should be encouraged to invest in additional improvements, including FBOs, hangars, and corporate facilities on leased parcels. This type of support lowers the County's overall development cost of providing facilities needed for the airport and its users while providing business opportunities for private investment. In addition to improving the financial outlook for development and operation, it also stimulates civic participation and pride in the airport.

CONCLUSION

The foregoing has established that Pinal Airpark is capable of being developed to meet the aviation needs of Pinal County well into the future. Indeed, it is a worthwhile investment in the recommended development program to provide a facility that will grow in importance as an aviation facility and serve as a gateway to and from the community.

Although substantial public investment will be required, this will only further enhance what is already an economic asset to the area. Finally, continued sound professional management with enlightened policy guidelines—together with the development recommendations of this Master Plan—should help keep Pinal Airpark on a progressive course for the future. Implementation of this program will enable Pinal County to provide an airport that will serve the needs of the region and be a source of pride for the citizens of the County.